

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 SP-02 CIAE-00 INR-07
NSAE-00 L-03 H-01 EB-07 COME-00 TRSE-00 OMB-01
AGR-05 AID-05 /062 W
-----070332Z 064124 /63

P 061113Z MAY 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC PRIORITY 4543

C O N F I D E N T I A L SECTION 1 OF 2 DACCA 2445

PASS TO AID/ASIA/BIS AND USDA

E.O. 11652: GDS
TAGS: EAID, EAGR, BG
SUBJECT: FOODGRAINS: MEETING WITH DR. HUDA

SUMMARY: AT MAY 5 MEETING WITH AMBASSADOR REQUESTED
BY PLANNING ADVISOR HUDA, HE SOUGHT FURTHER 150,000 TONS
PL-480 TITLE I FOODGRAINS, A REQUEST WE FOUND UNJUSTIFIED
BY PRESENT READING OF AVAILABLE FOODGRAIN DATA. HUDA
INDICATED THAT BDG WAS TAKING THREE STEPS TO IMPROVE
SITUATION, INCLUDING FORMATION OF A HIGH LEVEL FOOD
COMMITTEE, NEW ADMINISTRATIVE ARRANGEMENTS TO HANDLE
FOODGRAIN PROCUREMENT, WITH EMPHASIS ON INCENTIVE PRICES,
AND FURTHER STEPS TO CONSTRAIN RATION OFFTAKES, INCLUDING
SUBSIDY REDUCTIONS IN FY 78. END SUMMARY.

1. AS PART OF THE CONTINUING CAMPAIGN TO GET ADDITIONAL
U.S. PL-480 FOODGRAINS, DR. M.N. HUDA, PRESIDENTIAL
ADVISOR FOR PLANNING, ASKED THE AMBASSADOR TO SEE
HIM ON THIS MATTER MAY 5. AMBASSADOR WAS ACCOMPANIED
BY ACTING USAID DIRECTOR. AS IS ALL TOO FREQUENTLY THE CASE,
DR. HUDA WAS POORLY INFORMED ABOUT FOODGRAIN PROSPECTS
AND HAD BEEN SENT INTO BATTLE BY HIS STAFF ARMED ONLY
WITH A WATER PISTOL.

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2. DR. HUDA OPENED DISCUSSION BY SAYING HE WANTED TO
COVER TWO POINTS: NEED FOR ADDITIONAL FOODGRAINS AND
SLOW DISBURSEMENT OF COMMODITY AID. HOWEVER,
DISCUSSION OF FOODGRAINS CONSUMED NEARLY AN HOUR AND
A HALF AND BY MUTUAL AGREEMENT IT WAS DECIDED THAT
DISBURSEMENT PROBLEM WOULD BE TAKEN UP IN A SEPARATE

MEETING.

3. ON FOODGRAINS, DUDA READ FROM A CABLE JUST IN FROM THE BANGLADESH EMBASSY IN WASHINGTON REPORTING ON THE STATUS OF BANGLADESH'S "REQUEST FOR 500,000 TONS OF GRAIN". TELEGRAM NOTED THAT AGREEMENT FOR 200,000 TONS HAD ALREADY BEEN SIGNED, AND THAT USG HAS APPROVED AN ADDITIONAL 150,000 TONS CONSISTING OF HALF WHEAT AND HALF RICE. BANGLADESH EMBASSY REPORTED FURTHER THAT REQUEST FOR AN ADDITIONAL 150,000 TONS WAS "UNDER CONSIDERATION". HUDA SAID HE HAD BEEN PREOCCUPIED WITH OTHER MATTERS, BUT BECAUSE OF THE SERIOUSNESS OF THE SITUATION, NOW FELT THAT HE MUST BECOME DIRECTLY INVOLVED IN THIS SITUATION. HE ADMITTED THAT HE LACKED DETAILED BACKGROUND DATA AND ASKED FOR OUR VIEWS.

4. AMBASSADOR BRIEFED HIM IN DETAIL ON OUR TITLE I AND TITLE II COMMITMENTS, INCLUDING SHIPPING DATES, TITLE II REIMBURSEMENT, AND SELF-HELP PROVISIONS, AS WELL AS OUR VIEW REGARDING STOCKS, IMPORTS AND OFFTAKES. THE AMBASSADOR ALSO WENT OVER THE THREE AREAS THAT CONCERN US IN PARTICULAR: STORAGE CAPACITY, PORT CAPACITY AND STOCK LEVELS AS THEY RELATE TO THE GOVERNMENT'S ABILITY TO MOUNT A VIGOROUS PROCUREMENT DRIVE AND THEREBY PROVIDE A PRICE INCENTIVE TO FARMERS. REGARDING QUANTITIES, THE AMBASSADOR SAID THAT TO THE BEST OF HIS KNOWLEDGE, IT WAS NOT CORRECT TO SAY THAT A SECOND TRANCHE OF 150,000 TONS OF U.S. PL-480 FOODGRAIN WAS UNDER CONSIDERATION. BASED ON OUR VIEW OF THE CURRENT

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SITUATION AND PROSPECTS DURING THE REMAINDER OF THE YEAR, AS WELL AS SUBSTANTIATING INFORMATION FROM THE WFP, WE COULD NOT AT PRESENT JUSTIFY ADDITIONAL INPUTS. TO DO SO WOULD RISK SERIOUS PROBLEMS IN ALL THREE OF THE AREAS IDENTIFIED ABOVE. THE AMBASSADOR STRESSED THAT WHILE HE COULD NOT JUSTIFY ANY FURTHER REQUESTS FOR FOODGRAINS AT THIS TIME, HE WOULD, AS HE HAD ASSUMED PRESIDENT ZIA, KEEP THE SITUATION UNDER CONSTANT REVIEW AND WOULD RECOMMEND ADDITIONAL U.S. ASSISTANCE IF THERE SHOULD BE AN EMERGENCY OR NATURAL DISASTER WHICH JUSTIFIED SUCH ACTION.

5. DR. HUDA RETURNED DOGGEDLY TO THE "PRECARIOUS SITUATION", THE NEED FOR A "COMFORTABLE MARGIN", THE LOSS WHICH HAS ALREADY OCCURRED IN THE BORO CROP AND THE EXPECTATION OF SERIOUS FLOODS THIS SUMMER WHICH WOULD DAMAGE NEXT CROP. HE WENT OVER IN DETAIL THE ECONOMIC AS WELL AS POLITICAL IMPACT OF LOW STOCKS IN THE JUNE-JULY PERIOD, INCLUDING MANIPULATION OF THE

MARKET BY "NON-ANGELS" IN THE PRIVATE SECTOR IF A SHORTAGE THREATENED. HUDA EMPHASIZED THAT STOCK LEVELS BELOW ABOUT 600,000 TONS AT THE END OF JULY AND 500,000 TONS AT THE END OF DECEMBER WOULD CREATE REAL PROBLEMS.

6. DURING PROLONGED DISCUSSION BACK AND FORTH IT BECAME APPARENT THAT HUDA WAS NOT AWARE OF RECENT WFP PROJECTIONS BASED ON DATA PROVIDED SUBSTANTIALLY BY THE BDG, WHICH PROJECTED STOCK LEVELS AT ABOUT THE LEVEL HE SAID WAS ESSENTIAL. WE WENT OVER THESE DATA WITH HIM IN DETAIL AND LEFT WITH HIM A COPY OF THE WFP REPORT WHICH HE HAD NOT PREVIOUSLY SEEN. WHEN HE CHALLENGED THE OFFTAKE FIGURES, WE NOTED THESE HAD COME FROM THE BDG FOOD MINISTRY. OUR OWN OFFTAKE PROJECTIONS WERE SOMEWHAT LOWER AND INDICATED THAT STOCK LEVELS WOULD BE EVEN THIGHER THAN THOSE PROJECTED
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BY THE WFP.

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 4544

C O N F I D E N T I A L SECTION 2 OF 2 DACCA 2445

PASS TO AID/ASIA/BIS AND USDA

7. AT THIS POINT, DR. HUDA BACKED OFF AND SAID HE WANTED TO SORT OUT ALL OF THIS INFORMATION, INCLUDING PROJECTED STOCK LEVELS. HE VOLUNTEERED THAT THE PROCUREMENT DRIVE THIS PAST SEASON HAD BEEN "BUNGLED" AND SAID HE WOULD

SEE TO IT THAT THIS DID NOT OCCUR IN THE COMING YEAR.
HUDA THEN VOLUNTEERED INFORMATION ON THREE STEPS WHICH
ARE BEING TAKEN TO IMPROVE THE HANDLING OF FOODGRAINS
BY THE BDG:

A. A COMMITTEE ON FOODS CONSISTING OF THE ADVISORS
FOR FOOD, AGRICULTURE, PLANNING AND COMMUNICATIONS HAS
BEEN FORMED TO SET AND GUIDE OVERALL POLICY.

B. A NEW DIVISION MAY BE CREATED WITHIN THE FOOD
MINISTRY OR ELSEWHERE TO HANDLE PROCUREMENT. THIS
DIVISION WILL ENSURE THAT THE PRINCIPLE FOCUS WILL BE
ON AN INCENTIVE PRICE FOR THE SMALL FARMER RATHER THAN
JUST ACQUISITIONING STOCK FOR THE RATION SYSTEM.
HUDA ADDED THAT THE NEW PROCUREMENT POLICY WOULD BE
"SENSIBLE" AND WOULD INCLUDE EARLY FIXING OF PRICES
AND MONTHLY ACQUISITION TARGETS AS WELL AS PROVISION FOR
GOING INTO LOCAL MARKETS TO PROCURE IF NECESSARY. HUDA
REITERATED THAT HE ATTACHED GREAT IMPORTANCE TO A RATIONAL
PROCUREMENT POLICY AND WOULD DO EVERYTHING POSSIBLE
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TO
BRING THIS ABOUT.

C. REGARDING THE RATION SYSTEM, HUDA SAID THAT THE
BDG WAS DROPPING HIGHER INCOME RECIPIENTS IN THE STATUTORY
SYSTEM, PREPARING TO EXPAND MODIFIED RATIONING OR OPEN
MARKET OPERATIONS, AND FURTHER REDUCING SUBSIDIES.
HUDA SAID HE REALIZED HE WOULD BE PUT ON THE SPOT AT
THIS YEAR'S PARIS AID GROUP MEETINGS AND HE WOULD HAVE
"THINGS" TO PRESENT WHICH WOULD ENLARGE ON THE GENERAL
POINTS HE HAD MADE LAST YEAR.

8. IN CLOSING, HUDA ASKED THAT WE KEEP IN MIND THE
PERILOUSNESS OF BANGLADESH'S SITUATION. THE AMBASSADOR
SAID WE MOST CERTAINLY WOULD, AND THAT WE WERE
MAINTAINING AN OPEN MIND REGARDING THEIR REQUESTS.
HOWEVER, DATA CURRENTLY AVAILABLE DID NOT, IN THE
AMBASSADOR'S VIEW, JUSTIFY ADDITIONAL PL-480 FOODGRAINS
AT THIS POINT, AND WE COULD NOT PROGRAM SUCH FOODGRAINS
IN THE EXPECTATION THAT THERE MIGHT BE A SERIOUS
FLOOD OR OTHER NATURAL DISASTER THIS SUMMER. IF SUCH
A CALAMITY SHOULD OCCUR, WE WOULD ASSIST TO THE
BEST OF OUR ABILITY.

9. COMMENT: AS IS SO OFTEN THE CASE, WE HAD TO SERVE
AS A BRIDGE BETWEEN VARIOUS ELEMENTS OF THE BDG. WHETHER
HE ACCEPTS ALL OR EVEN MOST OF OUR ARGUMENTS, HE NOW
HAS THE WORLD FOOD PROGRAM REPORT, WHICH ITSELF PROJECTS
STOCK LEVELS FOR THE REMAINDER OF THE YEAR IN THE 500,000-
600,000 TON RANGE. WE BELIEVE THAT HUDA'S PERSONAL

INTERVENTION IN THIS SITUATION WILL BE HELPFUL. WE
BELIEVE ALSO THAT A GOOD BASE HAS BEEN LAID FOR FURTHER
DISCUSSIONS WITH HIM REGARDING SELF-HELP MEASURES AND
OTHER MATTERS.
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